

## ■ operating budget

Sources of Revenue	FY 2012 Actual	FY 2013 Adopted	FY 2013 Forecast	FY 2014 Adopted
Local Taxes	442,408,015	425,357,522	419,957,830	420,285,627
State Taxes	54,675,672	53,845,114	54,070,000	54,070,000
Licenses and Permits	9,998,807	10,035,658	10,218,088	10,222,500
Fines and Forfeitures	10,387,078	13,161,600	12,306,991	14,500,000
Charges for Services	1,570,134	1,712,400	1,315,000	1,362,500
Use of Money and Property	416,265	467,151	348,842	349,000
Federal Grants	782,109	0	0	0
State Grants	134,949	0	0	0
Other Revenues	16,350,704	3,241,911	5,027,902	6,911,911
Total Revenues\Transfers	66,549,876	76,305,897	71,313,897	72,113,000
<b>Total Unallocated Revenues</b>	<b>603,273,609</b>	<b>584,127,253</b>	<b>574,558,550</b>	<b>579,814,538</b>
Division Revenues	40,366,488	44,779,343	45,358,820	46,668,029
<b>Subtotal Revenues/Other Sources</b>	<b>643,640,097</b>	<b>628,906,596</b>	<b>619,917,370</b>	<b>626,482,567</b>
Contribution from Fund Balance	0	19,571,990	22,406,740	0
<b>Total Revenue\Other Sources</b>	<b>643,640,097</b>	<b>648,478,586</b>	<b>642,324,110</b>	<b>626,482,567</b>

## Issues & Trends

The *general* or *unallocated* operating revenue budget for the FY 2014 budget totals \$579,814,538. This represents a small revenue decrease of \$4.3 million, less than 1% from the FY 2013 adopted budget. The \$19.5 million planned use from fund balance for the FY 2013 adopted budget was not included in the year over comparison.

Our largest revenue source, local taxes, is projected to decrease by \$5.0 M or 1.2% from the FY 2013. The decrease is attributed to ad-volorem taxes being collected at a lessor rate as property tax appeals for a lower value have been more successful than past appeals. This FY 2014 adopted budget for property tax would have shown a greater decline from the FY 2013 adopted budget if it were not for a \$0.04 cent tax increase above the certified tax rate that yielded approximately \$4.0 million.

Our second largest revenue source, state taxes is budgeted for FY 2014 at approximately the same level as the FY 2013 adopted budget.

## ■ operating budget

Other sources of revenue that increased from the FY 2013 adopted budget to the FY 2014 adopted budget were Fines and Forfeitures, \$1.3 million, and other revenues \$3.6 million. Fines and forfeiture revenue should be a sustainable increase for future years while other miscellaneous revenue is based on the expectation of some onetime settlements from FEMA.

Transfers –In shows a decrease of \$4.2 million from the FY 2013 adopted budget to the FY 2014 adopted budget. This decrease is due to the MLGW in –lieu of tax payment structure revision, and State Street Aide transfer in decreasing by \$600k.

In the *divisional* revenues the increase \$1.8 million budget over budget can be contributed to ambulance collection revenue increases. All other revenue sources remain relatively flat.

# GENERAL FUND

# GENERAL FUND REVENUES

Sources of Revenue	FY 2012 Actual	FY 2013 Adopted	FY 2013 Forecast	FY 2014 Projected
<b>Contributed from Fund Balance</b>				
Contributed From Fund Balance	0	19,571,990	22,406,740	0
<b>Total Contributed from Fund Balance</b>	<b>0</b>	<b>19,571,990</b>	<b>22,406,740</b>	<b>0</b>
<b>Local Taxes</b>				
Beer Sales Tax	15,725,388	16,200,000	16,500,000	16,500,000
MLGW/Williams Pipeline	315,874	315,870	315,870	315,870
Bankruptcy Interest & Penalty	190,530	161,600	161,600	162,000
Ad Valorem Tax - Current One Time Assessment	19,404,847	0	0	0
Ad Valorem Tax Prior	5,659,456	5,050,000	4,100,000	4,000,000
Alcoholic Beverage Inspection Fee	4,504,408	4,200,000	4,200,000	4,200,000
Warrants and Levies	258	300	300	300
Franchise Tax - Telephone	1,200,164	0	1,000,000	900,000
Cable TV Franchise Fees	4,035,582	4,444,000	4,200,000	4,300,000
Misc Franchise Tax	812,171	700,000	725,000	750,000
Misc Tax Recoveries	2,235,434	2,300,000	2,100,000	782,000
Business Tax Fees	1,059,470	959,500	1,000,000	1,000,000
Ad Valorem Tax Prior - Sale	13,747,865	13,000,000	0	0
Bank Excise Tax	154,908	155,000	259,900	200,000
Ad Valorem Tax - Prior One Time Assessment	0	0	165,000	0
PILOT's	5,485,359	4,646,000	5,000,000	5,000,000
Local Sales Tax	98,547,615	100,495,000	99,100,000	100,000,000
Gross Rec Business Tax	10,484,286	10,100,000	10,100,000	10,500,000
Interest, Penalties & Commission	199,328	230,230	200,000	200,000
Interest & Penalty - Sale of Tax Rec	1,336,655	1,350,022	1,459,062	1,400,000
Ad Valorem Tax - Current	242,360,967	246,430,000	242,000,000	242,945,457
Property Taxes Interest & Penalty	4,274,213	4,040,000	4,200,000	4,200,000
State Appointment TVA	7,670,906	7,676,000	7,500,000	7,500,000
Special Assessment Tax	159,070	150,000	130,000	130,000
Mixed Drink Tax	2,843,261	2,754,000	2,754,000	2,800,000
Ad Valorem - Current Sale	0	0	12,787,098	12,500,000
<b>Total Local Taxes</b>	<b>442,408,015</b>	<b>425,357,522</b>	<b>419,957,830</b>	<b>420,285,627</b>
<b>State Taxes</b>				
State Shared Beer Tax	317,545	340,000	315,000	315,000
Spec Petroleum Product Tax	1,327,699	1,479,600	1,325,000	1,325,000
Telecommunication Sales Tax	37,285	50,000	40,000	40,000
State Income Tax	8,820,636	7,650,000	7,700,000	7,700,000
Alcoholic BeverageTax	290,697	275,914	290,000	290,000



## GENERAL FUND

## GENERAL FUND REVENUES

Sources of Revenue	FY 2012 Actual	FY 2013 Adopted	FY 2013 Forecast	FY 2014 Projected
State Sales Tax	43,881,810	44,049,600	44,400,000	44,400,000
<b>Total State Taxes</b>	<b>54,675,672</b>	<b>53,845,114</b>	<b>54,070,000</b>	<b>54,070,000</b>
<b>Licenses and Permits</b>				
Beer Permit Privilege Tax	142,546	140,000	140,000	140,000
Wrecker Permit Fee	12,108	9,088	9,088	10,000
Gaminy Pub Amus Perm Fee	13,708	13,000	13,000	13,500
Beer Application	67,958	57,570	65,000	65,000
Taxi Drivers License	22,048	17,000	17,000	20,000
Liquor By Ounce License	203,198	210,000	204,000	204,000
Misc Permits	80,006	70,000	70,000	70,000
Auto Registration Fee	9,457,235	9,519,000	9,700,000	9,700,000
<b>Total Licenses and Permits</b>	<b>9,998,807</b>	<b>10,035,658</b>	<b>10,218,088</b>	<b>10,222,500</b>
<b>Fines and Forfeitures</b>				
Fines & Forfeitures	109,882	100,000	6,991	100,000
Arrest Fees	299,754	262,600	200,000	200,000
Court Fees	4,780,162	6,650,000	6,000,000	8,100,000
Court Costs	5,113,202	6,049,000	6,000,000	6,000,000
Beer Board Fines	84,078	100,000	100,000	100,000
<b>Total Fines and Forfeitures</b>	<b>10,387,078</b>	<b>13,161,600</b>	<b>12,306,991</b>	<b>14,500,000</b>
<b>Charges for Services</b>				
Parking Meters	469,794	795,000	400,000	800,000
MLG&W Rent	1,581	2,400	0	0
Parking Lots	315,000	315,000	315,000	315,000
Tax Sales Attorney Fees	783,759	600,000	600,000	247,500
<b>Total Charges for Services</b>	<b>1,570,134</b>	<b>1,712,400</b>	<b>1,315,000</b>	<b>1,362,500</b>
<b>Use of Money and Property</b>				
Net Income/Investors	170,509	100,000	58,842	59,000
Interest on Investments	118,133	294,000	175,000	175,000
State Litigation Tax Commission	127,623	73,151	115,000	115,000
<b>Total Use of Money and Property</b>	<b>416,265</b>	<b>467,151</b>	<b>348,842</b>	<b>349,000</b>
<b>Federal Grants</b>				
Federal Grants - Others	782,109	0	0	0
<b>Total Federal Grants</b>	<b>782,109</b>	<b>0</b>	<b>0</b>	<b>0</b>



## GENERAL FUND

## GENERAL FUND REVENUES

Sources of Revenue	FY 2012 Actual	FY 2013 Adopted	FY 2013 Forecast	FY 2014 Projected
<b>State Grants</b>				
TEMA Reimbursement	134,949	0	0	0
<b>Total State Grants</b>	<b>134,949</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Revenues</b>				
Commercial Revitalization Fee	0	50,000	0	0
Sale Of Capital Assets	8,947,257	25,000	1,481,008	0
Recovery Of Prior Year Expense	978,045	155,000	175,000	200,000
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Cash Overage/Shortage	4,997	0	800	0
City Property Damage Reim	238,885	100,000	100,000	100,000
Miscellaneous Income	2,661,088	36,911	130,300	3,536,911
Court Reimbursement	632	0	0	0
Local Shared Revenue	79,090	0	0	0
Miscellaneous Auctions	2,365,710	1,800,000	2,000,000	2,000,000
Insurance Refund	0	0	65,794	0
<b>Total Other Revenues</b>	<b>16,350,704</b>	<b>3,241,911</b>	<b>5,027,902</b>	<b>6,911,911</b>
<b>Transfers In</b>				
In Lieu Of Taxes-MLGW	55,104,934	54,700,000	51,439,000	52,139,000
Tfr In - State Street Aid	0	15,400,000	14,700,000	14,800,000
In Lieu Of Taxes-Sewer	4,644,942	3,874,897	3,874,897	3,874,000
Tfr In - Solid Waste Fund	0	1,031,000	0	0
Tfr In - Sewer Operating/CIP	1,300,000	1,300,000	1,300,000	1,300,000
Tfr In - Debt Service Fund	5,500,000	0	0	0
<b>Total Transfers In</b>	<b>66,549,876</b>	<b>76,305,897</b>	<b>71,313,897</b>	<b>72,113,000</b>
<b>Total Revenues\Transfers</b>	<b>603,273,609</b>	<b>603,699,243</b>	<b>596,965,290</b>	<b>579,814,538</b>



## Revenue Forecasting Methodology

The University of Memphis forecasters independently prepare quarterly reports of revenue updates and forecasts for use in the internal decision-making done in the City of Memphis Finance Department. The forecasts have two areas of focus: forecasts for the current fiscal year's end-of-year revenues and forecasts for the next fiscal year and for each year out for ten years.

A team of three Ph.D. economists report on current economic trends that influence the City of Memphis. National, state and local economic indicators receive full discussion in both an oral presentation and written documents. These perspectives are essential for the finance department to understand and respond to a second area of focus. In the second part of the quarterly report, the team prepares numerical forecasts for the current fiscal year's end-of-year revenues, for the next fiscal year, and for each year out for ten years.

The forecasts are for more than fifty revenue variables, including total revenue for the city's general fund, subgroups of revenue sources, and individual revenue sources. The format of the forecast involves a median forecast as the single most likely value and a high/low range to indicate the degree of uncertainty. Also, for the most important single revenue sources and for total revenue, there is a more detailed risk analysis. This involves developing a downside risk assessment expressed as the probability that revenues will be at or below important levels.

The smallest revenue sources are forecasted with autoregressive, integrated, moving average models estimated with monthly or annual data that extends back to 1968 in some cases. Major revenue sources get forecasts from at least two alternative statistical models. For some variables, seasonal patterns are so reliable that end-of-year totals are accurately predicted from year-to-date data used in some of the quarterly updates. For longer-term forecasts, entirely different models are necessary.

For some of the revenue sources, national and regional economic indicators are useful to add to short and long term forecast accuracy. These statistical models are combinations of autoregressive, integrated, moving average (ARIMA) modeling and regression analysis. Although some series are estimated with single equation models, others have simultaneous equation models.

Stochastic simulations of the short- and long-term models generate empirical estimates of the probability distributions for the revenue sources. These distributions are reported both for the current fiscal year and the next fiscal year. These simulation results are used to report the high/low ranges for the revenue sources and the detailed risk analyses. The high/low range end points are defined to cover the middle 50 percent of the estimated distributions for the forecasted variables. They are, in fact, the first and third quartiles that surround the median forecast. These intervals are reported for detailed lists of revenue sources, for subcategories of the general fund, and for total revenue.

The simulation results are the basis for more detailed risk analysis of total revenue, the property tax, and the sales tax. These risk reports give the quartiles and median, plus all the deciles. For example, the first decile in the forecast distribution for total revenue is the level of revenue such that there is a 10 percent probability that revenue will be at or below that level. In addition, the risk analysis estimates the probability that revenues will be at or below key levels, such as the previous year's level and the level anticipated in the operating budget. This risk analysis is a downside risk description, giving the probability that end-of-year revenue will be short of specified values.

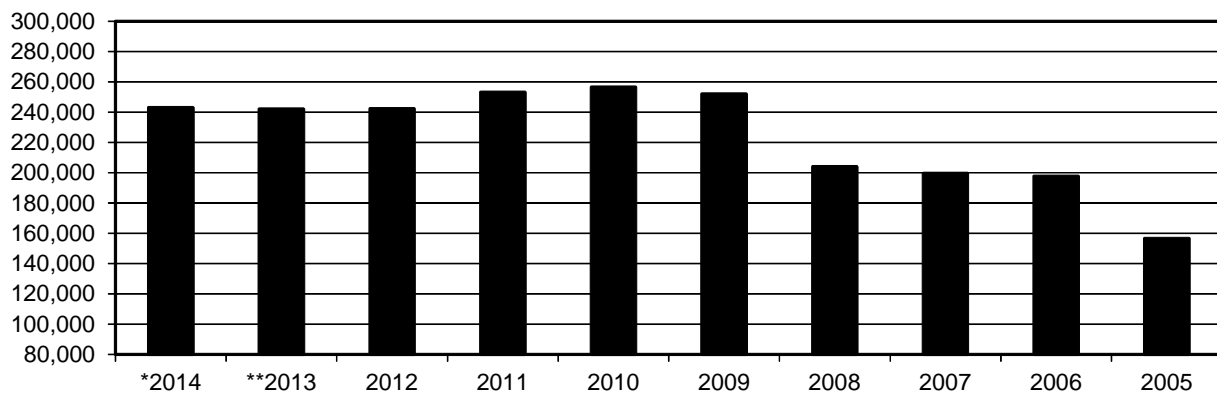
## GENERAL FUND

## GENERAL FUND REVENUES

### Current Property Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	242,945	0.39%	2009	252,036	23.59%
2013	242,000	-0.15%	2008	203,937	2.19%
2012	242,361	-4.24%	2007	199,564	0.92%
2011	253,100	-1.36%	2006	197,740	26.26%
2010	256,602	1.81%	2005	156,617	1.55%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

Property Tax is the largest source of revenue for the City. Property assessments are made by the Shelby County Tax Assessor based on the estimated appraised value and the following property classifications:

Residential and Farm Real Property = 25% of Appraised Value

Personal Property = 30% of Appraised Value

Commercial and Industrial Real Property = 40% of Appraised Value

Public Utilities and Railroads = 55% of Appraised Value Assessed by Tennessee Regulatory Authority.

Tax bills originate from, and collections are made by, the City Treasurer's Office, based on the tax rate set by the City Council and applied to the assessment rolls provided by the County Assessor and the TRA. Taxes are due and payable when the tax bills are mailed, normally July 1, and become delinquent sixty days thereafter, normally September 1. About 95% of the taxes are collected in the first four months of tax mailings. City Schools and the Debt Service Fund share proceeds of this tax. There are no restrictions on property tax increases. However, tax rates are approved by Ordinance.

Major Influences: Annexations, Assessor Appraisal, Development and Population Growth



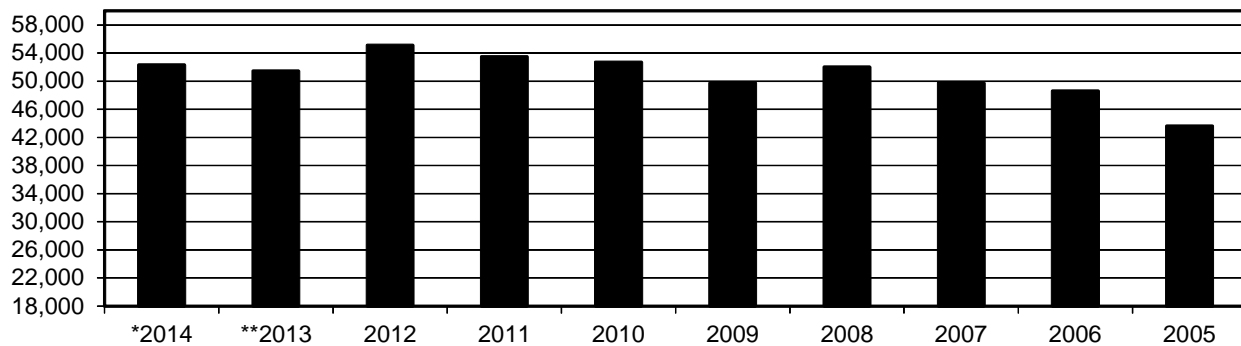
## GENERAL FUND

## GENERAL FUND REVENUES

### In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	52,319	1.71%	2009	49,737	-4.42%
2013	51,439	-6.65%	2008	52,036	4.58%
2012	55,105	3.06%	2007	49,759	2.36%
2011	53,469	1.46%	2006	48,610	11.49%
2010	52,698	5.95%	2005	43,599	-2.24%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

The Memphis Light Gas and Water Division makes in-lieu-of-property tax equivalent payments as provided by the Municipal Electric System Tax Equivalent Law and the Municipal Gas System Tax Equivalent Law, both of which provide a uniform formula for establishing such payments. This payment is shared with Shelby County according to State law. This revenue is limited to the calculation defined in the state law.

Major Influences: Municipal Electric/Gas System Equivalent Tax Laws

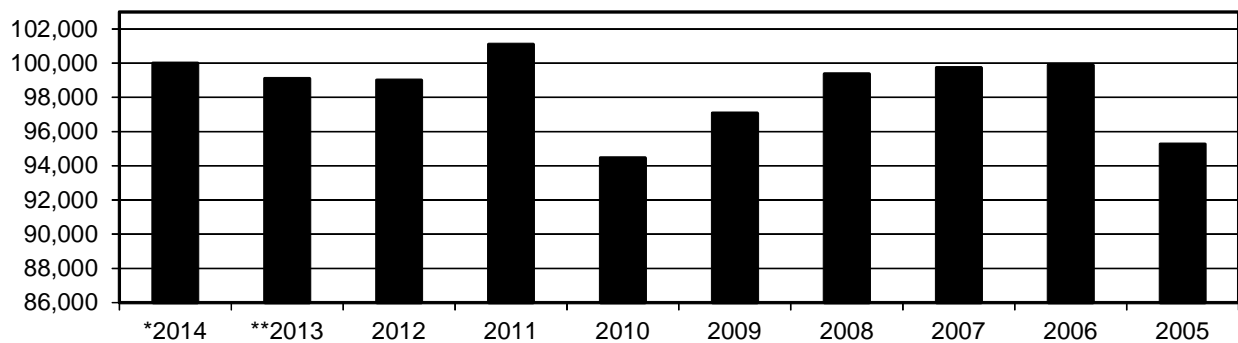
## GENERAL FUND

## GENERAL FUND REVENUES

### Local Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	100,000	0.91%	2009	97,065	-2.32%
2013	99,100	0.10%	2008	99,371	-0.36%
2012	99,000	-2.08%	2007	99,733	-0.14%
2011	101,100	7.03%	2006	99,875	4.84%
2010	94,462	-2.68%	2005	95,260	7.35%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

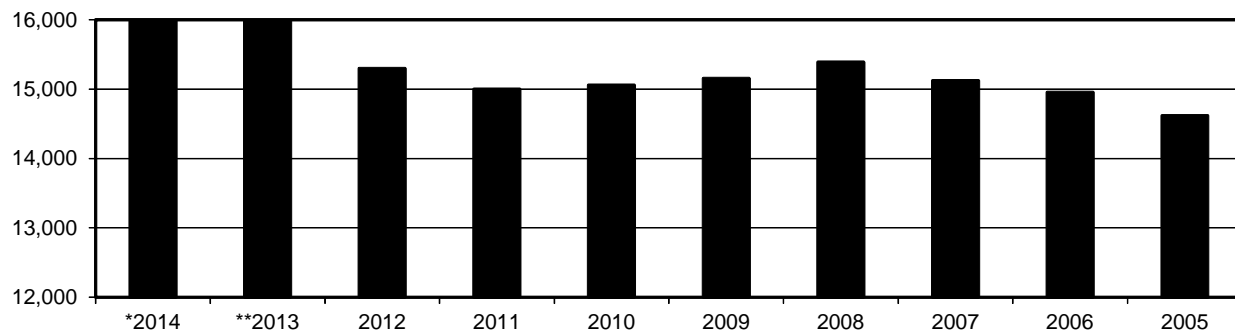
This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase changed the rate from 1.5% to 2.25%, effective FY 1984.

Major Influences: Annexation, Population Growth and Taxable Sales

**Beer Sales Tax**

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	16,500	0.00%	2009	15,157	-1.53%
2013	16,500	7.84%	2008	15,392	1.77%
2012	15,300	2.00%	2007	15,125	1.14%
2011	15,000	-0.38%	2006	14,954	2.28%
2010	15,057	-0.66%	2005	14,620	1.65%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

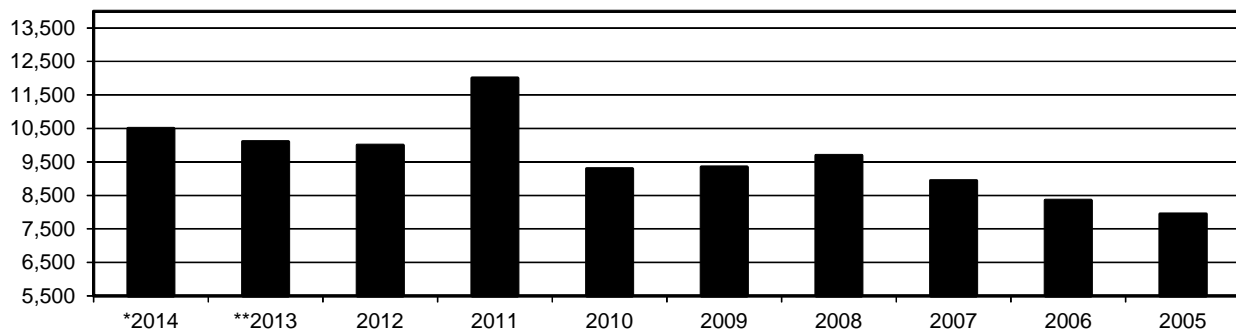
This is a 17% levy on the sale of beer at wholesale. It is collected by the wholesaler from the retailer and other persons within the corporate limits of the municipality at the time of sale. Fees are remitted to the City by the wholesaler on a monthly basis. T.C.A. 57-5-103.

Major Influences: Wholesalers price and Consumption Rates

**Gross Receipts Business Tax**

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	10,500	3.96%	2009	9,346	-3.57%
2013	10,100	1.00%	2008	9,692	8.47%
2012	10,000	-16.67%	2007	8,935	6.98%
2011	12,000	29.14%	2006	8,352	5.15%
2010	9,292	-0.58%	2005	7,943	9.88%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

This is a privilege tax on the exercise of most business sales, consisting of two parts:

\$15 minimum annual license fee

Tax on gross receipts(wholesale and retail) of the covered business activities.

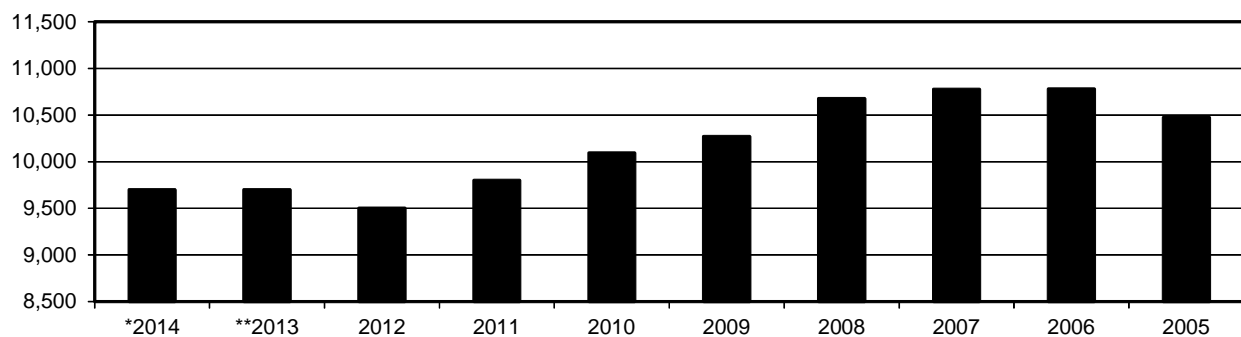
Business activities are divided into five classifications, with each classification having different tax rates and taxable periods. Remittances from department stores, auto dealers, restaurants and drug stores, representing almost one-half of total receipts, are collected in the last two months of the fiscal year. Each county and/or incorporated municipality in which such a business, business activity, vocation or occupation is conducted may levy a business tax not exceeding the rates established by state law. T.C.A. 67-4-704.

Major Influences: Economy, Consumer Price Index and Gross Receipts

**Auto/Vehicle Registration-Inspection Fee**

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	9,700	0.00%	2009	10,271	-3.80%
2013	9,700	2.11%	2008	10,677	-0.92%
2012	9,500	-3.06%	2007	10,776	-0.05%
2011	9,800	-2.90%	2006	10,781	2.95%
2010	10,093	-1.73%	2005	10,472	-1.55%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

All residents of the City who own/operate a motor vehicle or motorcycle for business or pleasure must register the vehicle with the City's registration agent and pay an annual registration/inspection fee as follows:

Motorcycle .....	\$10.00 (private) \$21.00 (commercial)
Passenger motor vehicle .....	\$30.00
Dealers, manufacturers, transporters .....	\$21.00 to \$325.00
Freight vehicles, depending on weight .....	\$114.00 to \$452.00
Combined farm and private truck .....	\$30.00 to \$376.00

The inspection fee and registration fee were combined and transferred to the County Clerk in FY 1982. The Court Clerk remits collections to the City after deducting a collection fee.

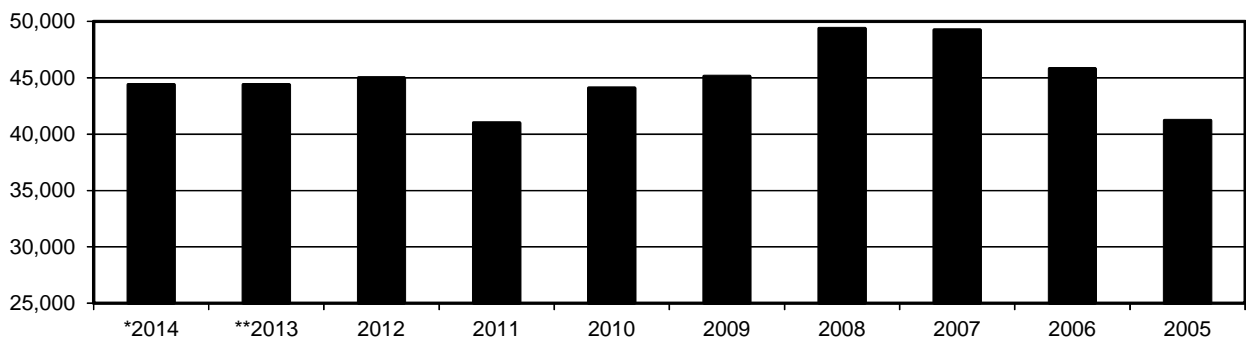
Vehicles must pass an emissions and visual safety inspection test before being issued a city registration. Registration/Inspection fees require Ordinance change and Council approval, Section 21-256-307 Memphis Code.

Major Influences: Auto Sales, Vehicles Inspected and Annexations

## State Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	44,400	0.00%	2009	45,131	-8.61%
2013	44,400	-1.33%	2008	49,381	0.28%
2012	45,000	9.76%	2007	49,244	7.49%
2011	41,000	-6.99%	2006	45,814	11.18%
2010	44,082	-2.32%	2005	41,206	3.96%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

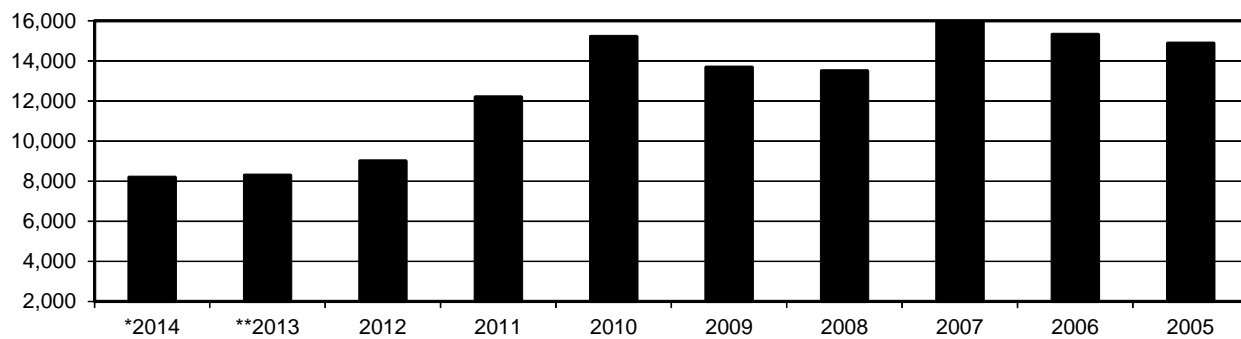
This is the largest state shared revenue the City receives. The current rate is 7.0% and is charged on each transaction described in the Local Sales Tax, 1.0% goes to the State's General Fund. Of the 6.0%, 0.5% goes to education. Municipalities receive approximately 4.5925% of collections on 5.5% of the 6%, which is allocated among the municipalities on a per capita basis. Changes in fees requires General Assembly vote, T.C.A. 67-6-103.

Major Influences: Population (relative to State) and Taxable Sales

**Delinquent Property Tax w/ Interest**

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	8,200	-1.20%	2009	13,686	1.43%
2013	8,300	-7.78%	2008	13,493	-17.96%
2012	9,000	-26.23%	2007	16,447	7.42%
2011	12,200	-19.79%	2006	15,311	2.89%
2010	15,211	11.14%	2005	14,881	13.86%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

Property taxes that are not paid in the fiscal year in which they are assessed are recorded as delinquent tax receipts when they are paid in subsequent years. Between 95% to 97% of property taxes are paid in the year of assessment and approximately 40% to 50% of delinquent taxes are collected the first fiscal year they become delinquent. Delinquent payments carry an additional penalty and interest. The decline in delinquent property tax revenue for previous years reflects that the City has initiated a sale of its delinquent property taxes to an outside vendor.

Major Influences: Economy and Assessor Appraisal

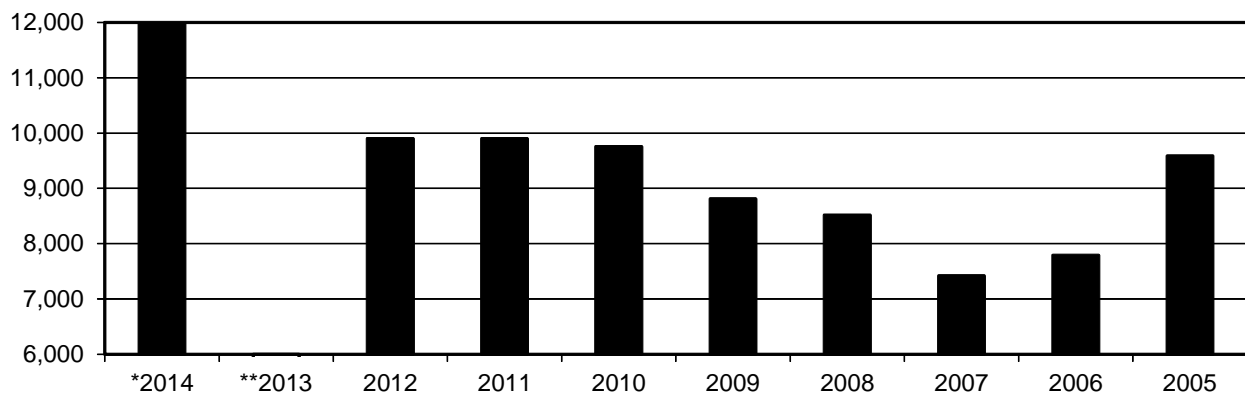
## GENERAL FUND

## GENERAL FUND REVENUES

### Court Costs/Fines

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	14,100	605.00%	2009	8,812	3.46%
2013	2,000	-79.80%	2008	8,517	14.85%
2012	9,900	0.00%	2007	7,416	-4.76%
2011	9,900	1.49%	2006	7,787	-18.74%
2010	9,755	10.70%	2005	9,583	2.88%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

The City Court Clerk collects all City Courts fines, including court costs, fine assessments, and forfeitures in lieu-of-court appearances. Remittances are made to the City monthly. Traffic violation fines and court costs are set by the City Council. A portion of the collections is earmarked to the City Board of Education for driver education sources. Fees require Ordinance change and Council approval, Section 11-24-25 Memphis Code.

Major Influences: Population (Demographics), Crime Rate and Enforcement

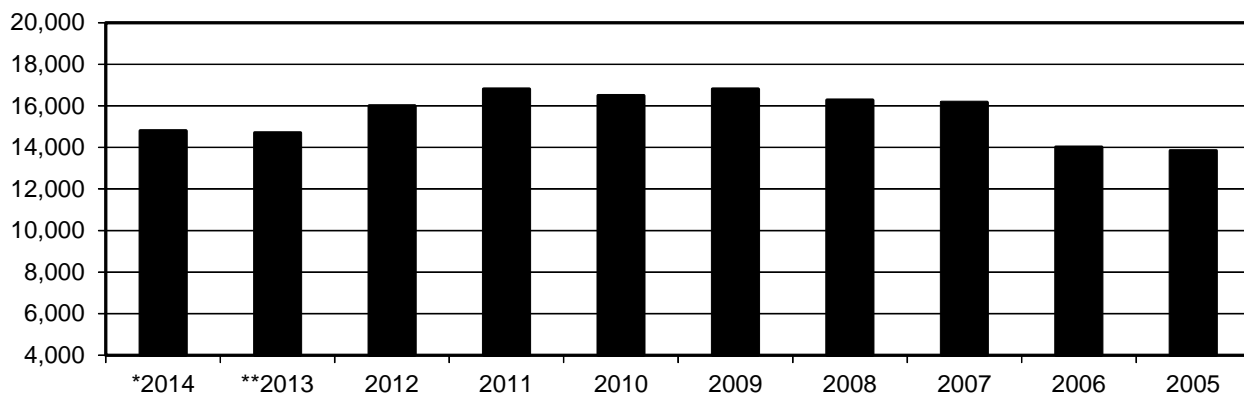
## GENERAL FUND

## GENERAL FUND REVENUES

### Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2014	14,800	0.68%	2009	16,811	3.33%
2013	14,700	-8.13%	2008	16,270	0.66%
2012	16,000	-4.82%	2007	16,163	15.29%
2011	16,811	1.88%	2006	14,019	1.28%
2010	16,500	-1.85%	2005	13,842	-19.84%

(In Thousands)



\* FY 2014 Adopted

\*\* FY 2013 Forecast

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